

Can we believe the

There isn't a Canadian retailer who hasn't heard the e-commerce drumbeat. "Get online," goes the shrill message. "There is an online sales revolution in the making."

There is no doubt we live in a world of incessant, relentless, non-stop Internet hype. We're being amazon.com-ed to death, with a picture being painted that in order to survive all Canadian retailers must immediately, and without caution, establish an online Web site through which they can sell their products.

Online hysteria rules the day!

FROM MY PERSPECTIVE, the drumbeat of e-commerce hype causes two problems. First, for some retailers, it results in rather over-inflated expectations, causing the merchant to think it is easy to set up a store on the Internet and garner instant riches. Yet it also causes the converse problem for other merchants, who deal with the hype by ignoring the Internet altogether.

Let's deal first with the hype surrounding the world of online shopping. Inherent to the message is the myth that the average retailer is a dinosaur, soon destined to the dustbin of business history, because the world of online shopping is set to decimate everyone with a "real" retail store. Such thinking is driven by a belief that the mass of society, bound up in e-enthusiasm, is soon to collectively abandon the real world. We'll conduct every sales transaction through our Web browser, becoming a bunch of cyber-dweebs glued to our computer screens. Groceries, blue jeans, a sofa set, cow manure — we'll soon buy everything and anything online!

The prediction that the retail sector is soon to be replaced by the world of online shopping is best assessed in light of other past predictions of a similar nature. VCRs were to spell doom for the movie theatre. Television was to destroy the radio industry. And the Internet was supposed to make newspapers extinct by 1999.

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The fact is, online shopping is real, and it will be big, but let's keep it in perspective. *The Wall Street Journal* recently suggested online sales will total but 7% of total retail sales by the year 2005. From my perspective, that's definitely a big number — indicating that the retail sector is in for a rough ride from this new competition — but we'd best assess e-shopping hysteria in light of just how big it might be.

Retailers must also carefully assess the myth that an online store offers instant riches. Simply click a few buttons, put some products online, and the customers will flow in! Hah! The reality is the brave retailers who have ventured online have found it tough going. In my own case, I've established a site by which I sell my many books online, and can tell you I've sold several hundred thousand books through the retail sector, while just a few online.

Finally, we must come to grips with the promise that e-commerce is easy. I've seen advertisements that boast it is possible to create an online store in under an hour. But if we don't try to do that in the real world, what would ever possess us to try to do the same thing in the online world?

The fact is, e-commerce is hard, very hard. A retailer, whether virtual or not, has to deal with customer support, fulfillment, product delivery, sales and marketing strategies, customer loyalty programs, financial and credit card matters, and all the other complicated issues and challenges that go with a professionally run business. An online strategy needs just as much effort as an offline one in order to be successful.

Of course, a retailer can take my comments above and presume they don't need an online strategy at all. That is a dangerous attitude to have, since the fact remains the Internet and e-commerce have significant implications for every retail business.

First, the Internet presents broad new competitive challenges. Every retailer in every sector is bound to

see the emergence of some type of online "big-Internet-box" competitor, similar to amazon.com, in addition to multiple smaller retailers. The global nature of the Internet means the nature of competition has changed, and every retailer needs to carefully assess how they might be affected.

While online shopping might not be huge in the long run, there might be enough of it to cause discomfort for many merchants, particularly given the ultimate impact of such a massive competitive playing field is a new and often brutal form of price competition. In many sectors, retailers are set to discover that their once comfortable and healthy margins are set to disappear, as most products become a commodity.

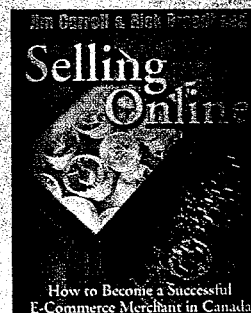
Second, retailers are going to have to wrestle with the challenge of "channel-partner competition." They'll find themselves faced with the bizarre situation in which the suppliers of the products they sell are also choosing to compete with them via a Web site. How does a retailer react? What do they do? It's a difficult question. Home Depot has responded by advising Black & Decker that it will choose to carry the products of those who decide not to compete with it. Most other retailers don't have the same weight that Home Depot has.

Retailers must also wake up to the fact that perhaps the most revolutionary thing about the Internet is that it does lead us to the era of customer empowerment. Many of my most recent purchases have been heavily influenced by the research I have done online. I know what I want to buy, what I'm willing to pay for it, and what I don't want. I've recently wandered away from several stores in disgust as a result, quite aware I know more about the product being sold than the sales-floor staff. I'm in control of the purchase, a fact that will present some tremendous challenges for retailers over time.

Finally, retailers must assess whether they should establish a clicks-and-mortar strategy. Most realistic Internet/e-commerce experts are concluding the real online business model is one that involves a successful integration of an online store with a chain of retail stores, as in the cases of HMV Canada, Sears Canada and Chapters. That means every retailer will eventually have to ensure they have an online shopping capability that enhances their local or national retail presence.

Bottom line? Retailers who approach the Internet with glossy-eyed expectations are doomed to disappointment, while those who ignore it are set to learn some unpleasant realities in the years to come. Every retailer needs to be there, but must approach it with caution, with a clear sense of business strategy, and a clear understanding of what it is all about. **CR**

Jim Carroll is the co-author of the new book, sponsored by Visa Canada, Selling Online: How to Be a Successful E-Commerce Merchant in Canada. His Web site can be found at www.jimcarroll.com. Feedback and comments about this article can be e-mailed to jcarroll@jimcarroll.com.



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